

Dunkerton Community School District

Independent Auditor's Reports
Basic Financial Statements
And Supplementary Information
Schedule of Findings

June 30, 2006

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Dunkerton Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2005 Election)

Gloria Clough	President	2006
Larry Steinbronn	Vice President	2006
Jerry Sires	Board Member	2005
Scott Segebarth	Board Member	2005
Mark Brandes	Board Member	2007

Board of Education

(After September 2005 Election)

Gloria Clough	President	2006
Jerry Sires	Vice President	2008
Larry Steinbronn	Board Member	2006
Joe Stafford	Board Member	2008
Mark Brandes	Board Member	2007

School Officials

Robert Cue	Superintendent	2006
Beth Weepie	District Secretary	2006
Julie Magee	District Treasurer	2006
Wayne Sauer	Attorney	2006

Independent Auditor's Report

To the Board of Education of
Dunkerton Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District, Dunkerton, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

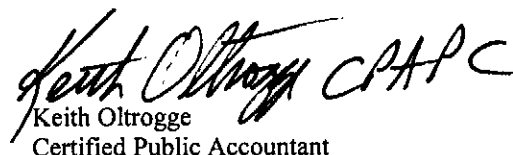
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 10, 2006 on my consideration of Dunkerton Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 35 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dunkerton Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPAPC
Keith Oltrogge
Certified Public Accountant

October 10, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

Dunkerton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,721,084 in fiscal 2005 to \$4,070,354 in fiscal 2006, while General Fund expenditures increased from \$3,671,369 in fiscal 2005 to \$3,705,118 in fiscal 2006. The District's General Fund balance increased from \$313,429 in fiscal year 2005 to \$679,126 in fiscal year 2006, a 53.8% increase.
- The increase in General Fund revenues was attributable to an increase in local sources and state grant revenue in fiscal year 2006.
- The District's solvency ratio has increased from 8.53% at June 30, 2005 to 18.3% at June 30, 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

really 16%

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dunkerton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dunkerton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dunkerton Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Dunkerton Community School District Annual Financial Report

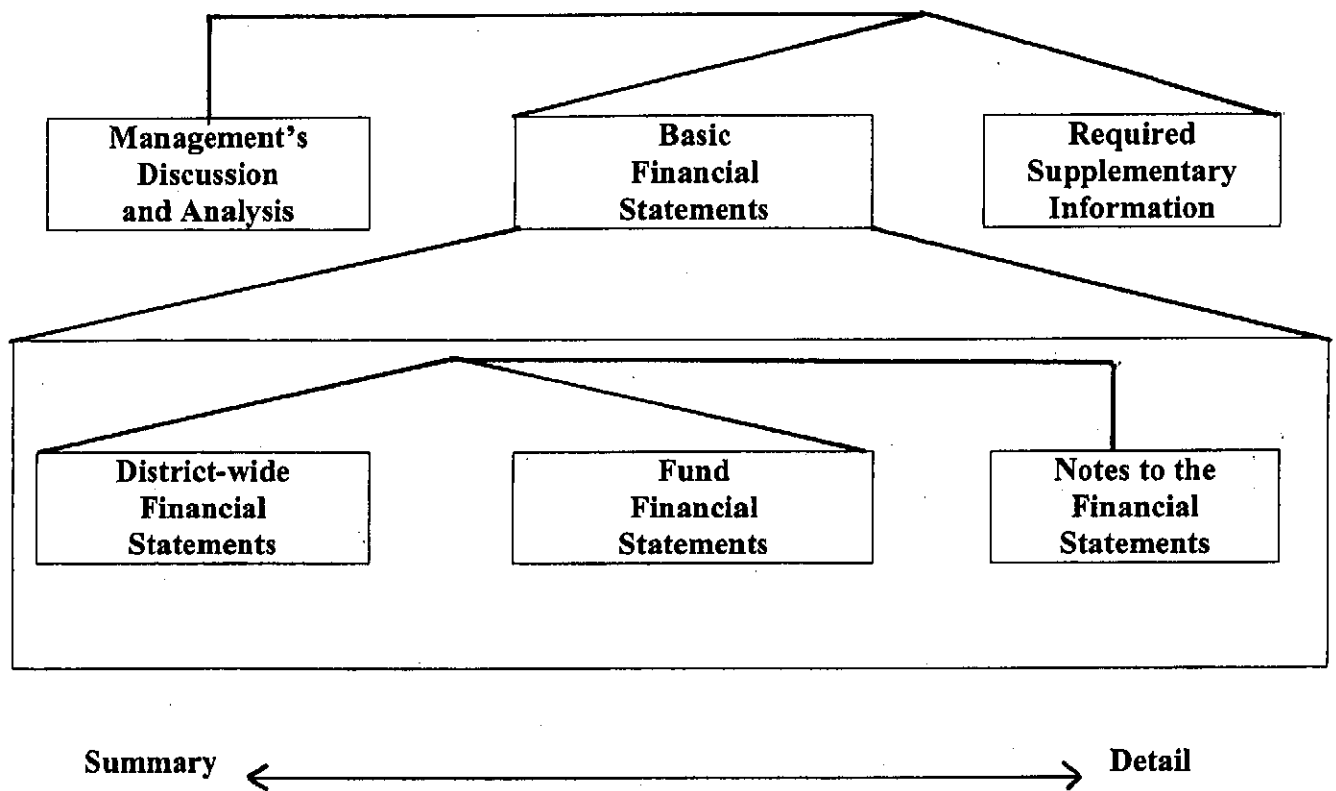


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2
Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program, building trades class – house fund and Flex Plan are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and Building Trades Class-House Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include a Trust Fund.

- Trust Fund – The District accounts for outside donations for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$3,701,091	\$2,702,394	\$139,228	\$116,074	\$3,840,319	\$2,818,468	\$1,021,851
Capital assets	3,915,138	4,011,936	57,378	66,645	3,972,516	4,078,581	-106,065
Total assets	\$7,616,229	\$6,714,330	\$196,606	\$182,719	\$7,812,835	\$6,897,049	\$915,786
Long-term liabilities	\$1,277,590	\$1,603,006	\$-	\$-	\$1,277,590	\$1,603,006	-\$325,416
Other liabilities	2,471,013	1,963,691	29,617	35,925	2,500,630	1,999,616	501,014
Total liabilities	\$3,748,603	\$3,566,697	29,617	\$35,925	\$3,778,220	\$3,602,622	\$175,598
Net assets:							
Invested in capital assets, net of related debt	\$2,655,138	\$2,436,936	\$57,378	\$66,645	\$2,712,516	\$2,503,581	\$208,935
Restricted	371,119	281,502	-	-	371,119	281,502	89,617
Unrestricted	841,369	429,195	109,611	80,149	950,980	509,344	441,636
Total net assets	\$3,867,626	\$3,147,633	\$166,989	\$146,794	\$4,034,615	\$3,294,427	\$740,188

The District's combined net assets increased by nearly 18%, or \$740,188, over the prior year. The largest portion of the District's net assets is the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$89,617, or 24% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$441,636, or 46%.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

Figure A-4
Changes in Net Assets

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$458,110	\$343,527	\$801,637
Operating grants, contributions and restricted interest	476,945	77,246	554,191
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	1,394,604	-	1,394,604
Local options sales and service tax	481,997	-	481,997
Unrestricted state grants	1,958,765	-	1,958,765
Unrestricted investment earnings	44,678	420	45,098
Other	114,655	-	114,655
Total revenues	\$4,929,754	\$421,193	\$5,350,947
Program expenses:			
Governmental activities:			
Instruction	\$2,740,523	\$165,652	\$2,906,175
Support services	1,254,151	-	1,254,151
Non-instructional programs	-	216,395	216,395
Other expenses	234,038	-	234,038
Total expenses	\$4,228,712	\$382,047	\$4,610,759
Change in net assets	\$701,042	\$39,146	\$740,188

Property tax and unrestricted state grants account for 63% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,929,754 and expenses were \$4,228,712. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5
**Total and Net Cost of
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$2,740,523	\$1,809,497
Support services	1,254,151	1,250,122
Non-instructional programs	-	-
Other expenses	234,038	234,038
Totals	\$4,228,712	\$3,293,657

- The cost financed by users of the District's programs was \$801,637.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$554,191.
- The net cost of governmental activities was financed with \$1,876,601 in property and other taxes and \$1,958,765 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$421,193 and expenses were \$382,047. The District's business type activities include the School Nutrition, Building Trades Class-House and Flex Plan Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Dunkerton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$3,867,626, well above last year's ending fund balances of \$3,147,633.

Governmental Fund Highlights

- The District's improving General Fund financial position is the result of many factors. More local sources and grant money resulted in an increase in revenues, while expenditures stayed about the same as last year.
- The General Fund balance increased from \$313,429 to \$679,126, due in part to the increase in local sources and state grants.

BUDGETARY HIGHLIGHTS

The District's receipts were \$551,401 more than budgeted receipts, a variance of 10.3%. The most significant variance resulted from the District receiving more from local sources than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the instruction functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested \$3,972,516, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 2.6% from last year. More detailed information about the District's capital assets is presented in Note 6 to the financial statements. Depreciation expense for the year was \$136,633.

The original cost of the District's capital assets was \$8,725,549. Governmental funds account for \$8,609,330, with the remainder of \$116,219 accounted for in the Proprietary, School Nutrition Fund and Building Trades Class-House Fund.

Figure A-6
Capital Assets, net of Depreciation

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$10,000	\$10,000	\$-	\$-	\$10,000	\$10,000	\$-
Buildings	3,708,914	3,800,716	-	-	3,708,914	3,800,716	-91,802
Improvements other than buildings	17,164	18,182	-	-	17,164	18,182	-1,018
Furniture and equipment	179,060	183,038	57,378	66,645	236,438	249,683	-13,245
Totals	\$3,915,138	\$4,011,936	\$57,378	\$66,645	\$3,972,516	\$4,078,581	-\$106,065

Long-Term Debt

At June 30, 2006, the District had \$1,277,590 in general obligation and other long-term debt outstanding. This represents a decrease of 20.3% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

Figure A-7
Outstanding Long-term Obligations

	Total District June 30,		Total Change June 30,
	2006	2005	2005-2006
General obligation bonds	\$1,260,000	\$1,575,000	-\$315,000
Capital lease	-	-	-
Early retirement	17,590	28,006	-10,416
Totals	\$1,277,590	\$1,603,006	-\$325,416

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Beth Weepie, District Secretary/Treasurer, Dunkerton Community School District, 509 S. Canfield, Dunkerton IA 50626.

Basic Financial Statements

Dunkerton Community School District

Statement of Net Assets

June 30, 2006

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents:			
ISCAP	\$ 713,954	\$ -	\$ 713,954
Other	1,381,587	131,713	1,513,300
Receivables:			
Property tax:			
Delinquent	20,340	-	20,340
Succeeding year	1,328,461	-	1,328,461
Accounts	10,059	139	10,198
Accrued interest			
ISCAP	4,107	-	4,107
Due from other funds	192,707	-	192,707
Due from other governments	49,876	-	49,876
Inventories	-	7,376	7,376
Capital assets, net of accumulated depreciation	3,915,138	57,378	3,972,516
Total Assets	\$ 7,616,229	\$ 196,606	\$ 7,812,835
Liabilities			
Excess of warrants issued over bank balance	\$ 195,059	\$ -	\$ 195,059
Accounts payable	31,640	-	31,640
Early retirement payable	10,000	-	10,000
Due to other funds	165,013	27,694	192,707
Accrued interest payable	17,836	-	17,836
Deferred revenue-succeeding year property tax	1,328,461	-	1,328,461
Other deferred	-	1,923	1,923
ISCAP warrants payable	714,000	-	714,000
ISCAP accrued interest	3,835	-	3,835
Other current liabilities	5,169	-	5,169
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	335,000	-	335,000
Early retirement	16,000	-	16,000
Portion due after one year:			
General obligation bonds payable	925,000	-	925,000
Early retirement	1,590	-	1,590
Total Liabilities	\$ 3,748,603	\$ 29,617	\$ 3,778,220
Net Assets			
Invested in capital assets, net of related debt	\$ 2,655,138	\$ 57,378	\$ 2,712,516
Restricted for:			
Debt service	371,119	-	371,119
Unrestricted	841,369	109,611	950,980
Total Net Assets	\$ 3,867,626	\$ 166,989	\$ 4,034,615

Dunkerton Community School District

Statement of Activities

Year Ended June 30, 2006

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<u>Functions/Programs</u>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 1,929,350	\$ 256,655	\$ 425,019	\$ -
Special instruction	331,681	24,846	39,971	-
Other instruction	479,492	176,529	8,006	-
	<u>\$ 2,740,523</u>	<u>\$ 458,030</u>	<u>\$ 472,996</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 85,233	\$ -	\$ -	\$ -
Instructional staff services	123,073	-	-	-
Administration services	486,392	-	-	-
Operation and maintenance of plant services	370,766	80	-	-
Transportation services	188,687	-	3,949	-
	<u>\$ 1,254,151</u>	<u>\$ 80</u>	<u>\$ 3,949</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Other Expenditures:				
Long-term debt interest	\$ 82,924	\$ -	\$ -	\$ -
AEA flow-through	151,114	-	-	-
	<u>\$ 234,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Total Governmental Activities	 <u>\$ 4,228,712</u>	 <u>\$ 458,110</u>	 <u>\$ 476,945</u>	 <u>\$ -</u>
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	\$ 216,395	\$ 146,418	\$ 77,246	\$ -
Instructional Programs:				
Regular Instruction:				
Flex Plan	5,444	2,581	-	-
Other Instruction:				
Building Trades Class-House	160,208	194,528	-	-
	<u>\$ 382,047</u>	<u>\$ 343,527</u>	<u>\$ 77,246</u>	<u>\$ -</u>
 Total	 <u>\$ 4,610,759</u>	 <u>\$ 801,637</u>	 <u>\$ 554,191</u>	 <u>\$ -</u>

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ -1,247,676	\$ -	\$ -1,247,676
-266,864	-	-266,864
-294,957	-	-294,957
\$ -1,809,497	\$ -	\$ -1,809,497
\$ -85,233	\$ -	\$ -85,233
-123,073	-	-123,073
-486,392	-	-486,392
-370,686	-	-370,686
-184,738	-	-184,738
\$ -1,250,122	\$ -	\$ -1,250,122
\$ -	\$ -	\$ -
\$ -82,924	\$ -	\$ -82,924
-151,114	-	-151,114
\$ -234,038	\$ -	\$ -234,038
\$ -3,293,657	\$ -	\$ -3,293,657
\$ -	7,269	\$ 7,269
-	-2,863	-2,863
-	-	-
-	34,320	34,320
\$ -	\$ 38,726	\$ 38,726
\$ -3,293,657	\$ 38,726	\$ -3,254,931

Dunkerton Community School District

Statement of Activities

Year Ended June 30, 2006

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
General Revenues:			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets before transfer			
Transfer			
Change in net assets			
Net assets beginning of year			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,292,929	\$ -	\$ 1,292,929
449	-	449
101,226	-	101,226
481,997	-	481,997
1,958,765	-	1,958,765
44,678	420	45,098
114,655	-	114,655
\$ 3,994,699	\$ 420	\$ 3,995,119
\$ 701,042	\$ 39,146	\$ 740,188
18,951	-18,951	-
\$ 719,993	\$ 20,195	\$ 740,188
3,147,633	146,794	3,294,427
\$ 3,867,626	\$ 166,989	\$ 4,034,615

Dunkerton Community School District

**Balance Sheet
Governmental Funds**

June 30, 2006

	General	Debt Service	Capital Projects
Assets			
Cash and Pooled Investments:			
ISCAP	\$ 713,954	\$ -	\$ -
Other	552,715	480,669	-
Receivables:			
Property Tax:			
Delinquent	17,626	6	-
Succeeding year	1,046,345	52,200	-
Accounts	9,223	-	-
Accrued interest			
ISCAP	4,107	-	-
Due from other funds	123,294	220	69,193
Due from other governments	12,801	-	37,075
Total Assets	\$ 2,480,065	\$ 533,095	\$ 106,268
Liabilities and Fund Balances			
Liabilities:			
Excess of warrants issued over bank balance	\$ -	\$ 68,277	\$ 113,085
Accounts payable	31,590	-	-
Early retirement payable	-	-	-
Due to other funds	-	41,499	2,613
Deferred Revenue:			
Succeeding year property tax	1,046,345	52,200	-
ISCAP warrants payable	714,000	-	-
ISCAP accrued interest payable	3,835	-	-
Other current liabilities	5,169	-	-
Total Liabilities	\$ 1,800,939	\$ 161,976	\$ 115,698
Fund Balances:			
Reserved for debt service	\$ -	\$ 371,119	\$ -
Unreserved	679,126	-	-9,430
Total Fund Balances	\$ 679,126	\$ 371,119	\$ -9,430
Total Liabilities and Fund Balances	\$ 2,480,065	\$ 533,095	\$ 106,268

See notes to financial statements.

Physical Plant and Equipment Levy	Non-Major Special Revenue	Total
\$ -	\$ -	\$ 713,954
300,289	47,914	1,381,587
1,621	1,087	20,340
99,916	130,000	1,328,461
-	836	10,059
-	-	4,107
-	-	192,707
-	-	49,876
\$ 401,826	\$ 179,837	\$ 3,701,091
\$ -	\$ 13,697	\$ 195,059
-	50	31,640
-	10,000	10,000
94,401	26,500	165,013
99,916	130,000	1,328,461
-	-	714,000
-	-	3,835
-	-	5,169
\$ 194,317	\$ 180,247	\$ 2,453,177
\$ -	\$ -	\$ 371,119
207,509	-410	876,795
\$ 207,509	\$ -410	\$ 1,247,914
\$ 401,826	\$ 179,837	\$ 3,701,091

Dunkerton Community School District
Reconciliation of the Balance Sheet – Governmental Funds
To the Statement of Net Assets

June 30, 2006

Total fund balances of governmental funds (page 15)	\$ 1,247,914
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	3,915,138
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-17,836
Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-1,277,590</u>
Net assets of governmental activities (page 12)	<u>\$ 3,867,626</u>

Dunkerton Community School District

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2006

	General	Debt Service	Capital Projects
Revenues:			
Local Sources:			
Local tax	\$ 1,222,754	\$ 449	\$ -
Tuition	263,552	-	-
Other	148,510	16,423	481,997
Intermediate sources	-	-	-
State sources	2,296,046	1	-
Federal sources	139,492	-	-
Total Revenues	\$ 4,070,354	\$ 16,873	\$ 481,997
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 1,776,449	\$ -	\$ -
Special instruction	331,681	-	-
Other instruction	313,419	-	-
	\$ 2,421,549	\$ -	\$ -
Support Services:			
Student services	\$ 85,233	\$ -	\$ -
Instructional staff services	108,971	-	-
Administration services	484,893	-	-
Operation and maintenance of plant services	319,718	-	-
Transportation services	133,640	-	-
	\$ 1,132,455	\$ -	\$ -
Non-instructional programs	\$ -	\$ -	\$ -
Other Expenditures:			
Long-Term Debt:			
Principal	\$ -	\$ 315,000	\$ -
Interest, fiscal charges and fees	-	87,214	-
AEA flow-through	151,114	-	-
	\$ 151,114	\$ 402,214	\$ -
Total Expenditures	\$ 3,705,118	\$ 402,214	\$ -
Excess (deficiency) of revenues over (under) expenditures	\$ 365,236	\$ -385,341	\$ 481,997
Other Financing Sources (Uses):			
Operating transfers in	\$ 18,951	\$ 516,457	\$ 41,499
Operating transfers out	-18,500	-41,499	-516,457
Total Other Financing Sources (Uses)	\$ 451	\$ 474,958	\$ -474,958
Net change in fund balances	\$ 365,687	\$ 89,617	\$ 7,039
Fund balances beginning of year	313,439	281,502	-16,469
Fund Balances End of Year	\$ 679,126	\$ 371,119	\$ -9,430

See notes to financial statements.

Physical Plant and Equipment Levy	Non-Major Special Revenue	Total
\$ 101,226	\$ 70,175	\$ 1,394,604
-	-	263,552
4,975	183,983	835,888
-	-	-
101	70	2,296,218
-	-	139,492
\$ 106,302	\$ 254,228	\$ 4,929,754
\$ -	\$ 69,168	\$ 1,845,617
-	-	331,681
-	165,530	478,949
\$ -	\$ 234,698	\$ 2,656,247
\$ -	\$ -	\$ 85,233
14,102	-	123,073
-	-	484,893
3,400	59,708	382,826
41,787	593	176,020
\$ 59,289	\$ 60,301	\$ 1,252,045
\$ -	\$ -	\$ -
\$ -	\$ -	\$ 315,000
-	-	87,214
-	-	151,114
\$ -	\$ -	\$ 553,328
\$ 59,289	\$ 294,999	\$ 4,461,620
\$ 47,013	-40,771	468,134
\$ -	\$ 18,500	\$ 595,407
-	-	-576,456
\$ -	\$ 18,500	\$ 18,951
\$ 47,013	\$ -22,271	\$ 487,085
160,496	21,861	760,829
\$ 207,509	\$ -410	\$ 1,247,914

Dunkerton Community School District

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds
To the Statement of Activities**

Year Ended June 30, 2006

Net change in fund balances – total governmental funds (page 17) \$ 487,085

***Amounts reported for governmental activities in the Statement of Activities are
different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 30,568	
Depreciation expense	<u>-127,366</u>	-96,798

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid		315,000
--------	--	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

4,290

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>10,416</u>
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Change in Net Assets of Governmental Activities (page 14)

\$ 719,993

Dunkerton Community School District

Statement of Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition	Building Trades Class- House	Total
Assets			
Cash and cash equivalents	\$ 57,868	\$ 73,845	\$ 131,713
Accounts receivable	139	-	139
Inventories	7,376	-	7,376
Capital assets, net of accumulated depreciation	57,378	-	57,378
Total Assets	\$ 122,761	\$ 73,845	\$ 196,606
Liabilities			
Inter-fund payable	\$ 27,694	\$ -	\$ 27,694
Deferred revenue	1,923	-	1,923
Total Liabilities	\$ 29,617	\$ -	\$ 29,617
Net Assets			
Invested in capital assets, net of related debt	\$ 57,378	\$ -	\$ 57,378
Unrestricted	35,766	73,845	109,611
Total Net Assets	\$ 93,144	\$ 73,845	\$ 166,989

Dunkerton Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

June 30, 2006

	School Nutrition	Building Trades Class- House	Flex Plan	Total
Operating revenues:				
Local sources:				
Charges for service	\$ 146,418	\$ -	\$ -	\$ 146,418
Sale of house	-	194,528	-	194,528
Payroll deductions	-	-	2,581	2,581
	<u>\$ 146,418</u>	<u>\$ 194,528</u>	<u>\$ 2,581</u>	<u>\$ 343,527</u>
Operating expenses:				
Instruction:				
Regular instruction:				
Benefits	\$ -	\$ -	\$ 5,444	\$ 5,444
Other instruction:				
Purchased services	-	90,826	-	90,826
Supplies	-	68,638	-	68,638
Other	-	744	-	744
	<u>\$ -</u>	<u>\$ 160,208</u>	<u>\$ 5,444</u>	<u>\$ 165,652</u>
Non-instructional programs:				
Food service operations:				
Salaries	\$ 85,645	\$ -	\$ -	\$ 85,645
Benefits	12,172	-	-	12,172
Purchased services	984	-	-	984
Supplies	108,327	-	-	108,327
Depreciation	9,267	-	-	9,267
	<u>\$ 216,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,395</u>
Total operating expenses	<u>\$ 216,395</u>	<u>\$ 160,208</u>	<u>\$ 5,444</u>	<u>\$ 382,047</u>
Operating income (loss)	<u>\$ -69,977</u>	<u>\$ 34,320</u>	<u>\$ -2,863</u>	<u>\$ -38,520</u>
Non-operating revenues:				
State sources	\$ 2,515	\$ -	\$ -	\$ 2,515
Federal sources	74,731	-	-	74,731
Interest income	327	93	-	420
Total non-operating revenues	<u>\$ 77,573</u>	<u>\$ 93</u>	<u>\$ -</u>	<u>\$ 77,666</u>
Change in net assets before other financing sources (uses)	<u>\$ 7,596</u>	<u>\$ 34,413</u>	<u>\$ -2,863</u>	<u>\$ 39,146</u>
Other financing sources (uses):				
Operating transfer out	-	-	-18,951	-18,951
Change in net assets	<u>\$ 7,596</u>	<u>\$ 34,413</u>	<u>\$ -21,814</u>	<u>\$ 20,195</u>
Net assets beginning of year	<u>85,548</u>	<u>39,432</u>	<u>21,814</u>	<u>146,794</u>
Net Assets End of Year	<u>\$ 93,144</u>	<u>\$ 73,845</u>	<u>\$ -</u>	<u>\$ 166,989</u>

See notes to financial statements.

Dunkerton Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 148,202
Cash paid to employees for services	-103,108
Cash paid to suppliers for goods or services	-96,572
Net cash used by operating activities	<u>\$ -51,478</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 2,515
Federal grants received	62,080
Net cash provided by non-capital financing activities	<u>\$ 64,595</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 327</u>
Net increase in cash and cash equivalents	\$ 13,444
Cash and cash equivalents beginning of year	<u>44,424</u>
Cash and Cash Equivalents End of Year	<u>\$ 57,868</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ -69,977
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	12,510
Depreciation	9,267
Decrease in inventories	158
(Increase) in accounts receivable	-67
(Decrease) in inter-fund payable	-5,292
Increase in deferred revenue	<u>1,923</u>
Net Cash Used by Operating Activities	<u>\$ -51,478</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2006, the District received \$12,652 of federal commodities.

Dunkerton Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2006

	Building Trades Class- House
Cash flows from operating activities:	
Cash received from sale	\$ 194,528
Cash paid to suppliers for goods or services	-160,208
Net cash provided by operating activities	<u>\$ 34,320</u>
Cash flow from investing activities:	
Interest on investments	<u>\$ 93</u>
Net increase in cash and cash equivalents	\$ 34,413
Cash and cash equivalents beginning of year	<u>39,432</u>
Cash and Cash Equivalents End of Year	<u>\$ 73,845</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	<u>\$ 34,320</u>
Net Cash Provided by Operating Activities	<u>\$ 34,320</u>

Dunkerton Community School District

Statement of Cash Flows
Proprietary Fund

Year Ended June 30, 2006

	Flex Plan
Cash flows from operating activities:	
Cash received	\$ 2,581
Cash paid to employees for benefits	-5,359
Net cash used by operating activities	<u>\$ -2,778</u>
Transfer to general fund	<u>\$ -18,951</u>
Net decrease in cash and cash equivalents	\$ -21,729
Cash and cash equivalents beginning of year	<u>21,729</u>
Cash and cash equivalents end of year	<u>\$ -</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ -2,863
Adjustments to reconcile operating income to net cash provided by operating activities:	
Decrease in accounts receivable	3,024
(Decrease) in accounts payable	<u>-2,939</u>
Net cash used by operating activities	<u>\$ -2,778</u>

Dunkerton Community School District

**Statement of Fiduciary Net Assets
Fiduciary Funds**

Year Ended June 30, 2006

	<u>Trust Scholarship</u>
Assets	
Cash and pooled investments	<u>\$ 11,665</u>
Liabilities	
Accounts payable	<u>\$ -</u>
Net assets	
Reserved for scholarships	<u>\$ 11,665</u>

Dunkerton Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2006

	<u>Trust Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ 500
Interest income	541
Total additions	<u>\$ 1,041</u>
Deductions:	
Support services:	
Scholarships awarded	<u>\$ 1,093</u>
Change in net assets	\$ -52
Net assets beginning of year	<u>11,717</u>
Net Assets End of Year	<u>\$ 11,665</u>

Dunkerton Community School District

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Dunkerton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dunkerton and Dewar, Iowa and portions of the predominately agricultural territories in Black Hawk and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Dunkerton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dunkerton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Physical Plant and Equipment Levy is used to account for revenues used in the acquisition of plant and equipment.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition, Building Trades Class-House and Flex Plan Funds. These funds are used to account for the food service, building trades class and flex plan operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund and Building Trades Class equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the instruction functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

(3) **Due From and Due to Other Funds**

The detail of inter-fund receivables and payables at June 30, 2006 is as follows:

Receivable Fund	Payable Fund	Amount
Capital Projects Fund	Enterprise Fund-Nutrition	\$ 27,694
General Fund	Special Revenue Fund-Physical Plant & Equipment Levy	\$ 94,181
General Fund	Special Revenue Fund-Management	\$ 26,500
General Fund	Capital Projects Fund	\$ 2,613
Capital Projects Fund	Debt Service	\$ 41,499
Debt Service	Special Revenue Fund-Physical Plant and Equipment Levy	\$ 220

The Nutrition Fund owes the Capital Projects Fund for equipment purchased in a prior year. The balance will be repaid when funds become available.

The Physical Plant and Equipment Levy owes the General Fund for reimbursements received from the National School Fitness Foundation lease for the past three years. The balance will be repaid when funds become available.

The Management Fund owes the General Fund for early retirement and benefits. The balance will be repaid when funds become available.

The Capital Projects Fund owes the General Fund for a prior year refund. The balance will be repaid when funds become available.

The Debt Service Fund owes the Capital Projects Fund for an over payment of a debt disbursement. The balance will be repaid by June 30, 2007.

The Special Revenue Fund-Physical Plant and Equipment Levy owes the Debt Service Fund for property taxes collected. The balance will be repaid by June 30, 2007.

(4) **Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 516,457
Capital Projects	Debt Service	41,499
Activity Fund	General	18,500
General Fund	Flex Plan	18,951
		<u>\$ 595,407</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2005-06B	1/26/06	1/26/07	\$194,677	\$3,945	\$194,000	\$3,707	\$1,212
2006-07A	6/28/06	6/28/07	519,277	162	520,000	128	3,957
Total			\$713,954	\$4,107	\$714,000	\$3,835	\$5,169

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount.

The warrants bear interest and the available proceeds of the warrant are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

(6) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Total capital assets not being depreciated	\$ 10,000	\$ -	\$ -	\$ 10,000
Capital assets being depreciated:				
Buildings	\$ 6,405,040	\$ -	\$ -	\$ 6,405,040
Improvements other than buildings	264,628	-	-	264,628
Furniture and equipment	1,899,094	30,568	-	1,929,662
Total capital assets being depreciated	\$ 8,568,762	\$ 30,568	\$ -	\$ 8,599,330
Less accumulated depreciation for:				
Buildings	\$ 2,604,324	\$ 91,802	\$ -	\$ 2,696,126
Improvements other than buildings	246,446	1,018	-	247,464
Furniture and equipment	1,716,056	34,546	-	1,750,602
Total accumulated depreciation	\$ 4,566,826	\$ 127,366	\$ -	\$ 4,694,192
Total capital assets being depreciated, net	\$ 4,001,936	\$ -96,798	\$ -	\$ 3,905,138
Governmental Activities Capital Assets, Net	\$ 4,011,936	\$ -96,798	\$ -	\$ 3,915,138
Business type activities:				
Nutrition Fund:				
Furniture and equipment	\$ 113,719	\$ -	\$ -	\$ 113,719
Less accumulated depreciation	47,074	9,267	-	56,341
	\$ 66,645	\$ 9,267	\$ -	\$ 57,378
Building Trades Class-House				
Equipment	\$ 2,500	\$ -	\$ -	\$ 2,500
Less accumulated depreciation	2,500	-	-	2,500
	\$ -	\$ -	\$ -	\$ -
Total Business Type Activities Capital Assets, Net	\$ 66,645	\$ -9,267	\$ -	\$ 57,378

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:	
Regular	\$ 99,075
Other	2,835
Support services:	
Administration	1,499
Operation and maintenance of plant	1,390
Transportation	22,567
	<u>\$ 127,366</u>
Unallocated	-
Total Depreciation Expense – Governmental Activities	<u>\$ 127,366</u>

Business Type Activities:

Food service operations	<u>\$ 9,267</u>
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(7) Long-term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 1,575,000	\$ -	\$ 315,000	\$ 1,260,000	\$ 335,000
Early retirement	28,006	10,000	20,416	17,590	16,000
Total	<u>\$ 1,603,006</u>	<u>\$ 10,000</u>	<u>\$ 335,416</u>	<u>\$ 1,277,590</u>	<u>\$ 351,000</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and must have completed fifteen years of continuous service to the District. Employees must complete an application, which is subject to approval by the Board of Education. Early retirement incentives are equal to a cash payment of \$20,000. Early retirement expenditures for the year ended June 30, 2006 totaled \$55,831.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	5.5-5.6%	\$ 335,000	\$ 66,798	\$ 401,798
2008	5.6-5.7%	355,000	47,840	402,840
2009	5.7-5.75%	375,000	26,934	401,934
2010	5.75%	195,000	5,606	200,606
Total		<u>\$ 1,260,000</u>	<u>\$ 147,178</u>	<u>\$ 1,407,178</u>

During the year ended June 30, 2006, the District made principal, interest and fees payments totaling \$402,214 under the agreements.

(8) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$146,452, \$126,119, and \$126,892, respectively, equal to the required contributions for each year.

(9) Risk Management

Dunkerton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$151,114 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(11) Deficit Fund Balance

The Capital Projects Fund had a deficit unreserved fund balance of \$9,430 at June 30, 2006. The Management Fund had a deficit unreserved fund balance of \$49,110 at June 30, 2006.

Required Supplementary Information

Dunkerton Community School District

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds**

Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 2,494,044	\$ 343,947
Intermediate sources	-	-
State sources	2,296,218	2,515
Federal sources	139,492	74,731
Total Receipts	<u>\$ 4,929,754</u>	<u>\$ 421,193</u>
Disbursements:		
Instruction	\$ 2,656,247	\$ 165,652
Support services	1,252,045	-
Non-instructional programs	-	216,395
Other expenditures	553,328	-
Total Disbursements	<u>\$ 4,461,620</u>	<u>\$ 382,047</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 468,134	\$ 39,146
Other financing sources, net	18,951	-18,951
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 487,085	\$ 20,195
Balances beginning of year	760,829	146,794
Balances End of Year	<u>\$ 1,247,914</u>	<u>\$ 166,989</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts Original	Variance
\$	2,837,991	\$ 2,445,357	\$ 392,634
	-	-	-
	2,298,733	2,190,480	108,253
	214,223	163,709	50,514
\$	5,350,947	\$ 4,799,546	\$ 551,401
<hr/>			
\$	2,821,899	\$ 2,726,190	\$ -95,709
	1,252,045	1,347,680	95,635
	216,395	234,407	18,012
	553,328	633,215	79,887
\$	4,843,667	\$ 4,941,492	\$ 97,825
<hr/>			
\$	507,280	\$ -141,946	\$ 649,226
<hr/>			
	-	-	-
<hr/>			
\$	507,280	\$ -141,946	\$ 649,226
	907,623	742,368	165,255
<hr/>			
\$	1,414,903	\$ 600,422	\$ 814,481
<hr/>			

Dunkerton Community School District

Notes to Required Supplementary Information – Budgetary Reporting

Year Ended June 30, 2006

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the instruction function exceeded the amount budgeted.

Other Supplementary Information

Dunkerton Community School District

Combining Balance Sheet
Non-Major Special Revenue Funds

June 30, 2006

	Management	Student Activity	Total
Assets			
Cash and pooled investments	\$ -	\$ 47,914	\$ 47,914
Receivables:			
Accounts	-	836	836
Property Tax:			
Delinquent	1,087	-	1,087
Succeeding year	130,000	-	130,000
Total Assets	\$ 131,087	\$ 48,750	\$ 179,837
Liabilities & Fund Equity			
Liabilities:			
Excess of warrants issued over bank balance	\$ 13,697	\$ -	\$ 13,697
Accounts payable	-	50	50
Inter-fund payable	26,500	-	26,500
Deferred Revenue:			
Succeeding year property tax	130,000	-	130,000
Early retirement	10,000	-	10,000
Total Liabilities	\$ 180,197	\$ 50	\$ 180,247
Fund Equity:			
Unreserved fund balances	\$ -49,110	\$ 48,700	\$ -410
Total Liabilities and Fund Equity	\$ 131,087	\$ 48,750	\$ 179,837

Dunkerton Community School District
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-Major Special Revenue Funds

Year Ended June 30, 2006

	Management	Student Activity	Total
Revenues:			
Local Sources:			
Local taxes	\$ 70,175	\$ -	\$ 70,175
Other	7,091	176,892	183,983
State	70	-	70
Total Revenues	<u>\$ 77,336</u>	<u>\$ 176,892</u>	<u>\$ 254,228</u>
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 69,168	\$ -	\$ 69,168
Other instruction	-	165,530	165,530
Support Services:			
Operation and maintenance of plant services	59,708	-	59,708
Transportation services	593	-	593
Total Expenditures	<u>\$ 129,469</u>	<u>\$ 165,530</u>	<u>\$ 294,999</u>
Excess (deficiency) of revenues over (under) expenditures	\$ -52,133	\$ 11,362	\$ -40,771
Other Financing Sources (Uses):			
Operating transfers in	-	18,500	18,500
Excess (deficiency) of revenues and other financing sources			
Over (under) expenditures and other financing uses	\$ -52,133	\$ 29,862	\$ -22,271
Fund balances beginning of year	3,023	18,838	21,861
Fund Balances End of Year	<u>\$ -49,110</u>	<u>\$ 48,700</u>	<u>\$ -410</u>

Dunkerton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues and Inter-fund Transfers	Expenditures	Balance End of Year
General Student Projects	\$ 1,876	\$ 2,304	\$ 3,609	\$ 571
Speech	-184	418	234	-
Spanish Club	6,320	-	4,500	1,820
Materials for Resale-Supplies	1,117	-	1,448	-331
Materials for Resale-Industrial Arts	-289	513	224	-
Athletics	3,907	3,187	7,000	94
Student Senate	3,512	4,532	6,293	1,751
Band-General	479	533	1,012	-
Band-Resale	-2,196	4,326	2,130	-
Music	-1,528	4,549	3,021	-
After Prom Party	481	-	481	-
Pop Fund	-663	13,585	12,528	394
Ewalu	-229	2,380	1,982	169
Summer Recreation	14,163	6,074	20,237	-
Miscellaneous	-120	120	-	-
Class of 2003	-114	114	-	-
Class of 2004	834	-	834	-
Class of 2005	586	851	1,071	366
Class of 2006	-250	1,879	1,477	152
Class of 2007	1,442	50	1,031	461
Class of 2008	1,112	2	-	1,114
Class of 2009	-	2,203	1,488	715
FFA	4,719	-	4,719	-
Library	-3,303	8,189	4,886	-
Annual	-16,515	23,853	7,338	-
Dramatics	1,399	577	601	1,375
Cheerleaders	-1,735	3,685	2,286	-336
PTO	-2,629	2,364	975	-1,240
Honor Society	222	990	915	297
Four Year Trip	23,692	10,932	4,895	29,729
Elementary Student Projects	4,538	2,630	4,665	2,503
Secondary Student Projects	462	2,529	2,857	134
Bakeshop	730	825	16	1,539
Scrip	-514	1,356	-	842
DARE	-	355	-	355
Scholarship interest	1	-	-	1
Athletic Resale	-	5,350	5,350	-
Athletic Fundraiser	-	587	-	587

Dunkerton Community School District

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues and Inter-fund Transfers	Expenditures	Balance End of Year
Elementary Basketball Tournament	\$ -311	\$ 311	\$ -	\$ -
Music Boosters	5,267	13,329	14,381	4,215
Interest	-632	638	6	-
Volleyball	-856	3,356	2,500	-
Cross Country	-1,224	1,714	490	-
Girls' Basketball	2,263	8,929	11,188	4
Boys' Basketball	7,204	5,354	12,554	4
Girls' Track	-3,612	5,783	2,097	74
Boys' Track	-2,801	4,520	1,719	-
Golf	-2,180	3,029	810	39
Softball	-9,880	11,536	1,656	-
Baseball	-12,516	15,168	1,350	1,302
Football	-3,207	9,883	6,676	-
Total	\$ 18,838	\$ 195,392	\$ 165,530	\$ 48,700

See accompanying independent auditor's report.

Dunkerton Community School District

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local Sources:				
Local tax	\$ 1,394,604	\$ 1,299,427	\$ 1,365,621	\$ 1,341,624
Tuition	263,552	205,640	120,787	95,431
Other	835,888	699,027	715,021	767,984
Intermediate sources	-	-	-	-
State sources	2,296,218	2,154,412	1,860,819	1,923,169
Federal sources	139,492	174,619	98,709	123,425
Total	\$ 4,929,754	\$ 4,533,125	\$ 4,160,957	\$ 4,251,633
Expenditures:				
Instruction:				
Regular instruction	\$ 1,845,617	\$ 1,765,305	\$ 1,910,629	\$ 1,610,215
Special instruction	331,681	424,909	430,792	462,096
Other instruction	478,949	351,550	380,620	425,126
Support services:				
Student services	85,233	122,143	115,367	107,725
Instructional staff services	123,073	112,532	74,093	65,375
Administration services	484,893	496,468	525,646	443,489
Operation and maintenance of plant services	382,826	367,952	337,653	286,328
Transportation services	176,020	133,758	133,933	148,407
Central support services	-	-	14,407	12,009
Non-instructional programs	-	15,583	-	-
Other expenditures:				
Facilities acquisition	-	8,572	8,750	9,000
Long-term debt:				
Principal	315,000	327,281	338,444	318,443
Interest and other charges	87,214	113,458	122,310	140,583
AEA flow-through	151,114	147,628	140,657	147,799
Total	\$ 4,461,620	\$ 4,387,139	\$ 4,533,301	\$ 4,176,595

**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of
Dunkerton Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dunkerton Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 10, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Dunkerton Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item I-A-06 is a material weakness.


Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dunkerton Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dunkerton Community School District and other parties to whom Dunkerton Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dunkerton Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

 CPA PC
Keith Oltrogge
Certified Public Accountant

October 10, 2006

Dunkerton Community School District

Schedule of Findings

Year Ended June 30, 2006

Part I – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Computer/Software – Prior to the year end the computer program failed and all revenue was put into a miscellaneous income. Hours were spent trying to recreate the yearly posting to the correct revenue accounts so that accurate financial statements were produced.

Recommendation – Back ups should be made and kept in a safe place so if this happens in the future the report can be generated with as little labor as possible.

Response – Back ups will be made in the future.

Conclusion – Response accepted.

Dunkerton Community School District

Schedule of Findings

Year Ended June 30, 2006

Part II - Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget – Expenditures for the year ended June 30, 2006 exceeded the certified budget amount in the instruction function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E -06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The Board Secretary should furnish a copy of the Board proceedings to be published within two weeks of each meeting, including all disbursements from all funds.

Response – Procedures have been revised to ensure the minutes are published as required.

Conclusion – Response accepted.

II-G-06 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on lines 1 and 7 of the Certified Enrollment Certification Form for September 2005 was overstated. The District's certified enrollment count included 31 non-resident students in line 1 which were also included in line 8 as open enrolled in nonresident students. The District also failed to include 9 special education students in the count. This resulted in overstating the total actual enrollment at line 7 by 22 students.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- II-I-06 Certified Annual Report – The Certified Annual Report was not certified to the Iowa Department of Education timely.
- Recommendations – The District needs to file the Certified Annual Report in the prescribed time limits established by the Department of Education.
- Response – We will do this in the future.
- Conclusion – Response accepted.
- II-J-06 Financial Condition – Activity Account – The Student Activity Account had three deficit accounts at June 30, 2006.
- Recommendation – The District should monitor this account and investigate alternatives to eliminate these deficits in order to return the account to a sound financial condition.
- Response – We are working on this. Last year there were twenty-four deficit accounts.
- Conclusion – Response accepted.
- II-K-06 Financial Condition – Capital Projects Fund – The District had an undesignated Capital Projects Fund deficit of \$9,430 at June 30, 2006.
- Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate this deficit in order to return the District to a sound financial condition.
- Response – The Capital Projects Fund deficit should be eliminated through next year's local option tax collections. This is an improvement from the deficit at June 30, 2005, which was \$16,469.
- Conclusion – Response accepted.
- II-L-06 Financial Condition – Management Fund – The District had an undesignated Management Fund deficit of \$49,110 at June 30, 2006.
- Recommendation – The District should continue to monitor this situation and investigate alternatives to eliminate this deficit in order to return the District to a sound financial condition.
- Response – The Management Fund deficit was created by employee early retirement benefits. The District should be able to return the fund to a positive position from future tax levies.
- Conclusion – Response accepted.